
Manitoba 

**Annual Report
1985 - 86**

**The Manitoba
Beef Commission**

Manitoba



Minister of Agriculture

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To The Lieutenant-Governor for
the Province of Manitoba.

Your Honour:

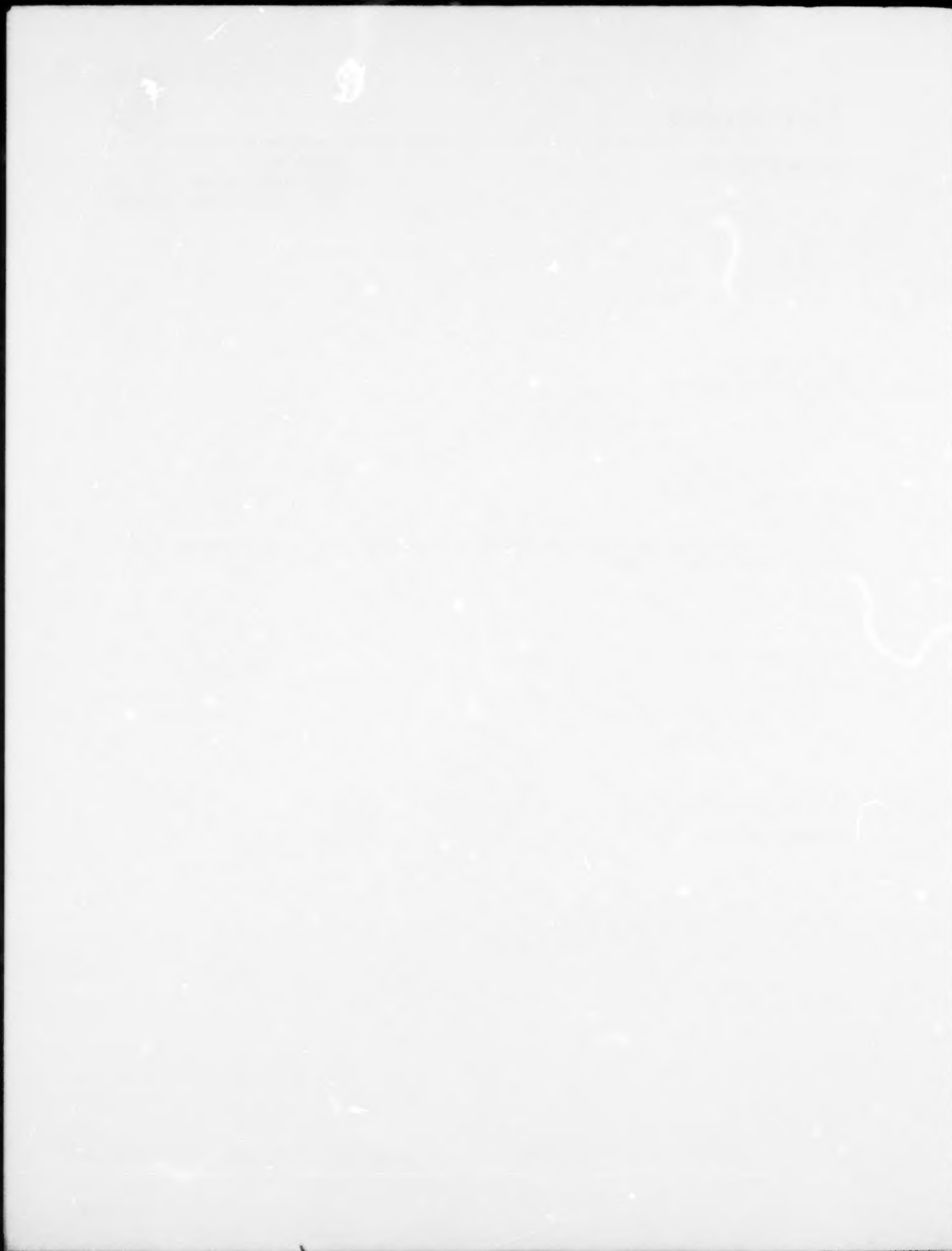
I have the honour to submit herewith the report of the Manitoba Beef Commission for the period
April 1, 1985 to March 31, 1986.

Your obedient servant,

A handwritten signature in cursive script, reading "Bill Uruski".

Bill Uruski,
Minister of Agriculture.

November 20, 1986





MANITOBA BEEF COMMISSION

1135-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1

Phone: (204) 945-4161

November 20, 1986

The Honourable Bill Uruski
Minister of Agriculture
Room 165, Legislative Building
Winnipeg, Manitoba

Dear Sir:

I have the honour of presenting herewith the 4th Annual Report of the Manitoba Beef Commission for the 12 month period ending March 31, 1986, accompanied by the Audited Financial Report for the same period.

Respectfully submitted,

Rudy Usick.

Rudy Usick
Chairman
Manitoba Beef Commission

The Manitoba Beef Commission

Board of Directors



Left to Right

Jim Chegwin
Director
Swan River

George Geisel
Director
Ochre River

Magnus Anderson
Director
Riverton

Virginia Mariash
Director
Beausejour

Dennis Trinder
Vice-Chairman
Russell

Rudy Usick
Chairman
Erickson

Clare Geddes
2nd Vice Chairman
Pilot Mound

Background

On April 1, 1982, the Honourable Bill Uruski, Minister of Agriculture, announced funding for a major beef stabilization and marketing plan for Manitoba. The Manitoba Beef Commission, with the subsequent activities detailed in this report is the result of that commitment.

Objectives

1. To enhance the economic viability of beef producers in Manitoba through the strengthening, expansion and unification of the total beef industry within the province. The commission believes a viable beef industry includes:
 - (a) primary producers
 - (b) the country auction system
 - (c) custom feedlots and
 - (d) the packing house industry.
2. To develop and administer a stabilization insurance fund which provides economic stability and operating confidence to the primary beef producer allowing for long term planning.
3. To develop and administer an orderly marketing system which strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.
4. To assist and encourage the retention, growing, finishing and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

- an on-going plan, with provision to join or opt out at any time
- stabilization on three classifications: calves, feeders and slaughter
- three levels of support to choose from in each classification
- jointly funded by the province and producers, with provision to blend into a federal plan
- slaughter animals to be marketed through the central desk concept, with prices determined on a "pooled" basis

- administration by a Beef Commission operating independently, but in close cooperation with Manitoba Agriculture support services
- additional financial aid plans such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry.

The Commission

In September, 1982, the Manitoba Beef Commission was created by Regulation 186/82 under The Natural Products Marketing Act. The purpose of the commission is to administer a provincial stabilization and marketing plan. A seven member producer Board of Directors was appointed to develop, implement and administer the Stabilization and Marketing Plan. The activities of the board and commission are under the supervision of the Manitoba Natural Products Marketing Council.

During the fiscal year 1985-86, the board held 12 regular board meetings, as well as nine producer information meetings at various country points. A three member Review Committee was established to review and make recommendations on all client situations which fall outside normal operating policies. This committee scrutinized such cases in detail, with their recommendations presented at a regular Directors' meeting for ratification. The committee held eight regular meetings.

The Stabilization Plan

The following charts (Figures 1, 2 and 3) show the relationship of the market price relative to the support level. The support level in the Manitoba Beef Plan reflects producer costs. It was reviewed and adjusted twice annually, on January 1 and July 1 according to a twelve item input cost formula in the contract. The formula, while not a cost-of-production budget, effectively measured changes which occurred in the cost of production. Following a regular review of input costs, the commission moved to separate monitoring of each class of stabilized animals, effectively July 1, 1984. This was deemed to be a more equitable method of measuring costs associated with raising calves, yearlings or slaughter animals.

At July 1, 1985, the support level on slaughter animals increased 0.21 percent, on feeders 0.16 percent, and on calves 0.10 percent. At January 1, 1986, the support level on slaughter animals decreased 3.65 percent, on feeders 1.89 percent, and on calves 0.14 percent.

Producers are rewarded for quality and quantity by the price received from the market place. Stabilization payments are based on the number of pounds produced and marketed. Both these concepts serve as an incentive for producers to produce a quality product at optimum efficiency.

Figure 1

Average Market Prices Calves

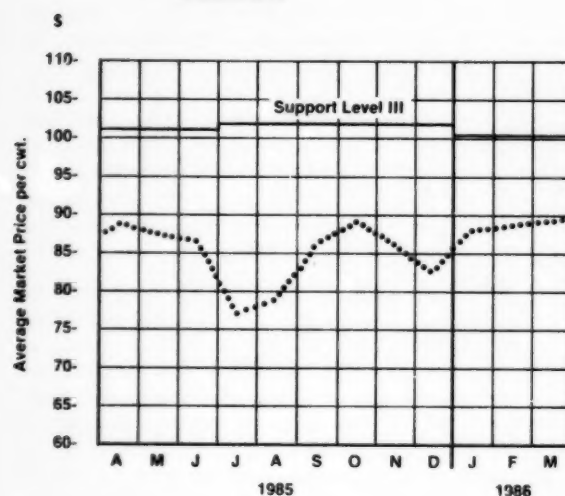


Figure 2

Average Market Prices Slaughter (Rail-Grade)

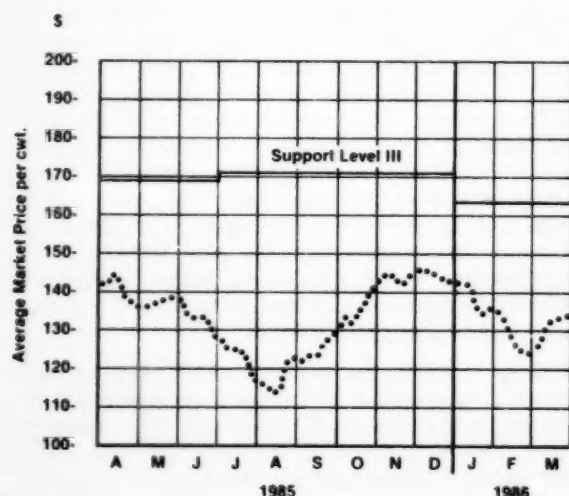
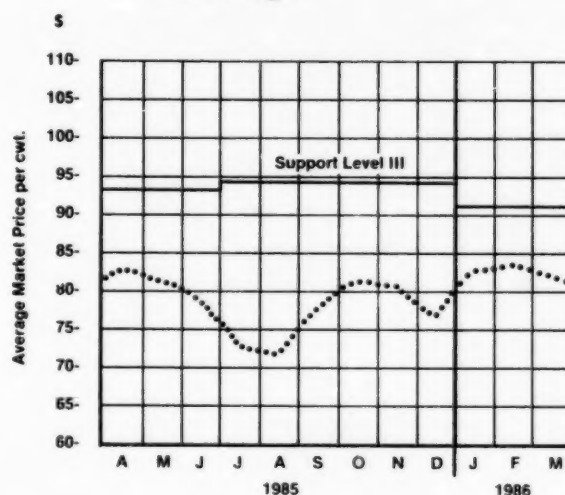


Figure 3

Average Market Prices Yearlings



Participation

Prior to the fiscal year under review, the commission had accepted 4,825 contracts registering 261,223 head of cows. During the year, 149 new contracts were received and 52 terminations were processed.

At the year end, the commission was operating with 4,922 active contracts registering a basic cow herd of 265,215 head.

Operating Details

Slaughter cattle were pooled on a weekly basis by sex, grade and weight classifications. The pooled price determines the settlement price to the producer, with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle was included in the producer settlement cheque.

Unfinished cattle were marketed at a place and method of the producer's choice providing:

- the settlement cheque was made out in the name of the commission and routed through the commission, and
- the settlement statement clearly indicated the price and total value supported by bonafide weigh slips from a recognized livestock scale.

The commission paid producer settlements on the basis of selling price less producer premiums. Stabilization payments were made in the month following the date of sale, after the monthly average price had determined the rate of stabilization.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the plan is a provision for the support level to be reviewed twice yearly (January 1st and July 1st). Producer premiums may be adjusted as required.

The amount of stabilization to be paid was determined as follows:

- For Slaughter Animals — the difference between the weekly "pool" price for A1 and A2 steers in the standard weight category, and the support level.
- For Feeders — the difference between the monthly average price for large frame lean feeder steers over 600 lbs., and the support level.
- For Calves — the difference between the monthly average price for good stock steer calves in the 400 to 600 lbs. weight range, and the support level.

Finished Cattle Marketings

The 1985-86 fiscal year was the third year of the M.B.C. Central Desk Marketing. During this period, 85,106 slaughter cattle were marketed (621 head were sold on live-weight basis), representing a 26.4 percent increase in volume over the previous fiscal year. Earned marketing fees amounted to \$331,738, involving 5,420 sales transactions totalling \$66,348,000 in market value.

Purchasers of M.B.C. slaughter cattle included all of the five federally inspected packinghouses in Manitoba, one wholesale purveyor and 12 provincially inspected rural abattoirs.

Final grading results on 82,530 steers and heifers were:

- A grades — 76,550 head or 92.75 percent
- B grades — 4,202 head or 5.09 percent
- C grades — 1,778 head or 2.16 percent

There were also 1,841 cows grading D1-5 and 114 bulls grading E1-2.

Unfinished Marketings

The commission stabilized 86,843 head of unfinished cattle under the calf and feeder cattle aspect of the stabilization plan. Recognizing the loss to the provincial economy when unfinished animals are marketed and moved out of the province, the commission continued to encourage "One Owner Finishing." A promotional effort was made during September to:

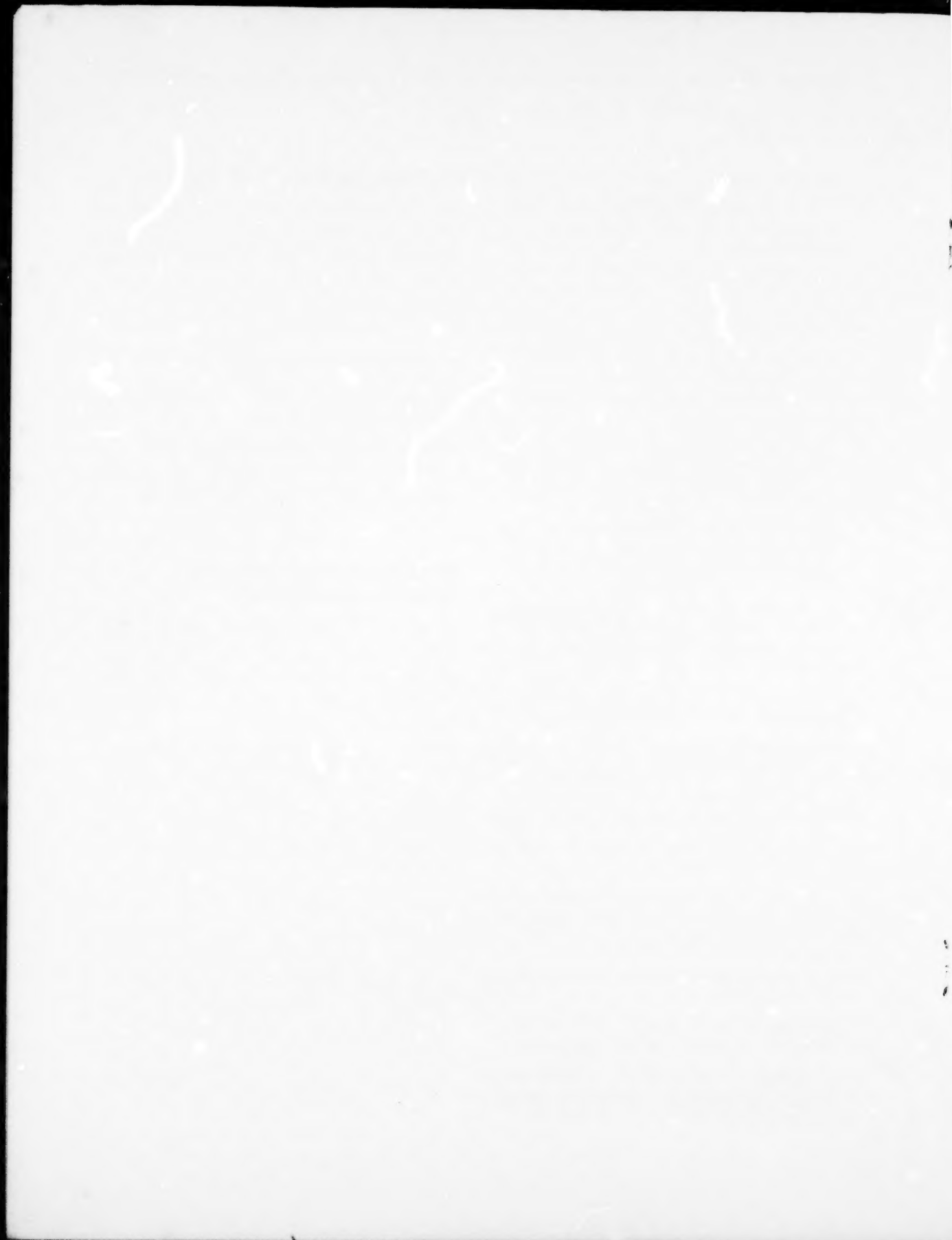
- (a) demonstrate the benefit of marketing a finished product, and
- (b) to inform producers of assistance available to overcome any obstacles in doing so.

This promotional effort, plus the readiness of many producers to benefit from the opportunity to help themselves, was instrumental in reducing the outflow of unfinished cattle in the fall of 1985.

Manitoba Agricultural Credit Corporation

To maintain on-farm cash flow during the transitional period from marketing calves to that of finished animals, the Manitoba Agricultural Credit Corporation provided short term cash advances or custom feeding loans. While M.A.C.C. provided the funds and administered this aspect of the program, the Beef Commission cooperated in the repayment process by forwarding the proceeds to M.A.C.C. when the cattle were marketed.

From start-up date to March 31, 1986, 827 such loans were issued totalling \$13.0 million, covering approximately 38,000 head of cattle. During the same period, 429 of these loans had been repaid in the amount of \$6.6 million.





Manitoba

The Manitoba Beef Commission

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C, D and E, of The Manitoba Beef Commission for the fiscal year ended March 31, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F.H. Jackson, C.A.,
Provincial Auditor.

June 19, 1986,
Winnipeg, Manitoba.

Exhibit A
The Manitoba Beef Commission
Balance Sheet
as at March 31, 1986

Assets		
	1986	1985
Current assets:		
Term deposit with the Minister of Finance	\$ 3,500,000	\$ 3,000,000
Accounts receivable:		
Packers and auction marts	1,181,636	933,105
Producers, less allowance for doubtful accounts (Note 3)	308,891	178,407
Inventory	25,396	46,989
	<u>\$ 5,015,923</u>	<u>\$ 4,158,501</u>
Liabilities and Fund Account Balances		
Current liabilities:		
Cheques issued in excess of funds on deposit with the Minister of Finance and in bank	\$ 178,374	\$ 644,909
Accounts payable:		
Producers	2,826,220	2,963,353
Government of the Province of Manitoba	123,919	(9,313)
Trade accounts	71,580	68,224
	<u>3,200,093</u>	<u>3,667,173</u>
Advance from the Government of the Province of Manitoba (Note 4)	<u>29,000,000</u>	<u>16,000,000</u>
	<u>32,200,093</u>	<u>19,667,173</u>
Fund account balances:		
Stabilization Fund Account (Deficit), Exhibit C	(27,249,149)	(15,752,712)
Administration Fund Account, Exhibit E	64,979	244,040
	<u>(27,184,170)</u>	<u>(15,508,672)</u>
	<u>\$ 5,015,923</u>	<u>\$ 4,158,501</u>

Approved by:

Buddy Thielke Chairperson

Glenis Zimmler Director

Exhibit B
The Manitoba Beef Commission
Producer Fund Account
Statement of Operations

	For the Year Ended March 31, 1986			For the Year Ended March 31, 1985		
	Finished Cattle	Unfinished Cattle	Total	Finished Cattle	Unfinished Cattle	Total
Revenue:						
Proceeds on sale of cattle	\$ 65,590,950	\$ 42,492,022	\$108,082,972	\$ 53,862,371	\$44,469,204	\$ 98,331,575
Packer, auction mart, insurance claims and miscellaneous	35,209	10,544	47,753	37,730	4,913	42,643
Live sale expenses from Administration Fund Account, Exhibit E	5,963	—	5,963	68,185	—	68,185
Net pool adjustments from Administration Fund Account, Exhibit E	(37)	(12)	(49)	6,049	8	6,057
Total revenue	\$ 65,632,085	\$ 42,502,554	\$108,134,639	\$ 53,974,335	\$ 44,474,125	\$ 98,448,460
Distribution:						
Assessments:						
Producer premiums, Exhibit C	\$ 6,590,192	\$ 3,262,912	\$ 9,853,104	\$ 3,424,294	\$ 3,150,518	\$ 6,574,812
Marketing fees, Exhibit E	331,738	—	331,738	272,975	—	272,975
	6,921,930	3,262,912	10,184,842	3,697,269	3,150,518	6,847,787
Direct charges:						
Assembly fees, etc.	62,480	—	62,480	72,025	211	72,236
Freight	7,697	186	7,883	40,085	1,094	41,179
Insurance	652	4,176	4,828	3,663	4,989	8,652
	70,829	4,362	75,191	115,773	6,294	122,067
Producer settlements	58,639,326	39,235,280	97,874,606	50,161,293	41,317,313	91,478,606
Total distribution	\$ 65,632,085	\$ 42,502,554	\$108,134,639	\$ 53,974,335	\$ 44,474,125	\$ 98,448,460

Exhibit C**The Manitoba Beef Commission****Stabilization Fund Account****Statement of Revenue and Expenditure and Deficit**

for the year ended March 31, 1986

	1986	1985
Revenue:		
Producer premiums:		
Producer Fund Account, Exhibit B	\$ 9,853,104	\$ 6,574,812
Direct from producers	18,464	86,718
	9,871,568	6,661,530
Federal Agricultural Stabilization (Note 5)	709,378	—
Provincial premium contributions	1,988,445	1,862,339
Recovery of stabilization payments (Note 6)	289,368	115,344
Total revenue	\$ 12,858,759	\$ 8,639,213
Expenditure:		
Stabilization payments	\$ 24,256,029	\$ 16,173,672
Bad debt expense	99,167	14,150
Total expenditure	\$ 24,355,196	\$ 16,187,822
Excess of Expenditure over Revenue	11,496,437	7,548,609
Deficit, beginning of year	15,752,712	8,204,103
Deficit, end of year, Exhibit A	\$ 27,249,149	\$ 15,752,712

Exhibit D**The Manitoba Beef Commission****Productivity Enhancement Grant Fund Account**
Statement of Operations

for the year ended March 31, 1986

	1986	1985
Recoveries of grants from producers	\$ 272,005	\$ 188,822
Less: Bad debt expense	99,132	25,597
	\$ 172,873	\$ 163,225
Distribution:		
Government of the Province of Manitoba	\$ 172,873	\$ 163,225

Exhibit E**The Manitoba Beef Commission****Administration Fund Account****Statement of Revenue and Expenditure and Fund Account Balance**

for the year ended March 31, 1986

	1986	1985
Revenue:		
Grant — Government of the Province of Manitoba	\$ —	\$ 480,000
Interest	368,335	356,297
Marketing fees, Exhibit B	331,738	272,975
Recovery of provincial premium contributions on cancellation of producers' contracts (Note 8)	55,075	34,356
Miscellaneous	—	2,034
Total revenue	\$ 755,148	\$ 1,145,662
Expenditure:		
Advertising and promotion	\$ 12,375	\$ 24,956
Audit	17,950	23,400
Bank charges	9,923	7,783
Computer services and equipment	215,575	200,500
Computer system review	37,500	—
Directors' fees and expenses	34,933	34,838
Delivery	8,420	7,355
Dues and subscriptions	464	263
Furniture and fixtures	1,357	2,938
Hall rentals	969	1,768
Health and post-secondary education tax levy	6,936	6,704
Fieldmen expenses	43,122	32,029
Live sale expenses to Producer Fund Account, Exhibit B	5,963	68,185
Miscellaneous	1,675	2,874
Net pool adjustments to Producer Fund Account, Exhibit B	(49)	6,057
Postage and telephone	14,750	9,427
Printing and stationery	27,175	19,921
Repairs and maintenance	309	184
Salaries and employee benefits	482,704	463,343
Travel	12,158	12,375
Total expenditure	\$ 934,209	\$ 924,900
Excess of Revenue over Expenditure	(179,061)	220,762
Balance, beginning of year	244,040	23,278
Balance, end of year, Exhibit A	\$ 64,979	\$ 244,040

The Manitoba Beef Commission
Notes to Financial Statements
for the year ended March 31, 1986

1. Status of the Commission

The Manitoba Beef Commission was established on September 1, 1982 by regulation under The Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

- a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under The Natural Products Marketing Act. The purpose of this Plan is to maximize the return to the producers in the marketing of beef.
- b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under the Farm Income Assurance Plans Act. The purpose of this Plan is to improve the income stability of participating beef producers. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate accounts were established for these operations.

The Producer Fund Account was established on March 1, 1983 to account for the sales of finished and unfinished cattle marketed under the Manitoba Beef Marketing Plan.

The Stabilization Fund Account was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan and from the province, and the stabilization payments to producers.

The Productivity Enhancement Grant Fund Account was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983.

The Administration Fund Account was established to account for the Commission's administrative and marketing operations.

2. Significant accounting policies

- a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.
- b) The Commission maintains separate divisions in its accounts for the activities of the Producer Fund Account, Stabilization Fund Account, Productivity Enhancement Grant Fund Account and the Administration Fund Account. The assets and liabilities of all of the fund accounts are combined on the balance sheet.

The Producer Fund Account and the Productivity Enhancement Grant Fund Account by their nature have nil balances at year end.

- c) The Government of the Province of Manitoba pays interest charges on the advances to the Commission and provides office space, certain legal, administrative and field services. These expenses are not reflected in the financial statements.

3. Accounts receivable — producers

The accounts receivable from producers consists of:

	1986	1985
Stabilization payments recoverable	\$ 259,519	\$ 149,787
Productivity enhancement grants	299,096	141,827
Premiums	5,989	6,083
Other	3,611	4,625
	568,215	302,322
Less: Allowance for doubtful accounts	259,324	123,915
	<u>\$ 308,891</u>	<u>\$ 178,407</u>

4. Advance from the Government of the Province of Manitoba

The Government of the Province of Manitoba authorized repayable advances to the Commission of up to \$31,000,000 for the purpose of funding the deficit of the Stabilization Fund Account when revenues are not sufficient to pay the producers' stabilization payments under the Manitoba Beef Stabilization Plan. At March 31, 1986 the amount advanced to the Commission was \$29,000,000 (1985 — \$16,000,000), of which the Commission had drawn \$27,028,259 (1985 — \$15,277,510) with the balance of \$1,971,741 (1985 — \$727,490) maintained on deposit with the Minister of Finance in a trust account.

Interest charged on the advances by the Department of Finance is paid from an appropriation of the Department of Agriculture in the amount of \$2,451,852 in 1986 (1985 — \$1,327,603).

5. Federal Agricultural Stabilization

In accordance with Section 7(4), of the agreement between the Commission and Producers, "any payments under the Federal Agricultural Stabilization Act shall be taken into account relative to the calculation of deficiency payments ----". The Commission applied for stabilization proceeds from the Government of Canada, under the Federal Agricultural Stabilization Act, on behalf of producers who marketed animals through the Commission for the period July 1, 1985 to September 30, 1985. The proceeds for stabilized cattle were retained by the Commission, in the amount of \$676,222, and were credited to the individual producer accounts. The amounts credited are not repayable by producers leaving the plan. In instances where the cattle were not stabilized by the Commission, the Commission acted only in an administrative capacity, applying on behalf of and paying the proceeds to the individual producers in the amount of \$33,156.

The stabilization payments by the Government of Canada were \$4.31 per cwt - rail weight or \$2.52 per cwt - live weight.

6. Termination of contract

A producer may terminate his contract with the Commission at any time. Depending upon the balance of the individual producer account, represented by the producer premiums and stabilization payments, termination by a producer before eight full years will result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

7. Productivity Enhancement Grant Fund Account

The Productivity Enhancement Grant Fund Account was established to account for special grants to producers joining the Manitoba Beef Marketing Plan from inception to January 21, 1983.

The grants are not fully earned by the producers until they have completed four years of enrollment in the Plan. Any recoveries from producers terminating their contracts before the grants are fully earned are repayable to the province.

8. Recovery of provincial premium contributions

The provincial premium contribution portion of the stabilization payments recovered from producers is transferred to the Administration Fund Account. For the year ended March 31, 1986 the recovery of the provincial premium contributions transferred to the Administration Fund Account was \$55,075 (1985 — \$34,356), which represented a recoverable amount of \$85,616 (1985 — \$38,231) less bad debt expense of \$30,541 (1985 — \$3,875).

9. Economic dependence

The Commission is economically dependent on the Government of the Province of Manitoba.